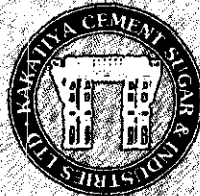


20th
Annual Report
1998 - 99

REPORT ON THE FINANCIAL PERFORMANCE



**KAKATIYA CEMENT
SUGAR & INDUSTRIES LTD.**



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

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BOARD OF DIRECTORS

P. Venkateswarlu
P. Veeraiah
J.S.R. Prasad
A.C. Motwani
J. Seshagiri Rao
J. Lakshmi Nalini
C. Madhusudana Rao
V.B.R. Suryam
M. Narasimha Rao

Chairman & Managing Director
Joint Managing Director
Executive Director
Nominee of IDBI

SENIOR EXECUTIVES

C. Janardhan Reddy
G. Bharadwaja
A. Siva Sankar Reddy
A. Satyanarayana

General Manager (Cement Works)
General Manager (Sugar Works)
Dy. Gen. Manager (Fin.)
Company Secretary

AUDITORS

M/S. M. Anandam & Co.,
Chartered Accountants,
SECUNDERABAD.

COST AUDITORS

M/S. Narasimha Murthy & Co.,
Cost Accountants,
HYDERABAD.

BANKERS

State Bank of India
Industrial Finance Branch
Somajiguda
Hyderabad

Indian Bank
Himayatnagar
Hyderabad.

REGISTERED OFFICE

1-10-140/1, "GURUKRUPA"
Ashoknagar,
HYDERABAD-500 020.

FACTORIES

CEMENT:

Srinivasa Nagar
Mellacheruvu Mandal
Nalgonda Dist. A.P.

SUGAR:

Peruvancha Village
Kallur Mandal
Khammam Dist. A.P.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the TWENTIETH ANNUAL GENERAL MEETING of KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED will be held on Thursday, the 30th Day of September, 1999 at 4.00 P.M. at Sri Tyagaraya Gana Sabha, Vivek Nagar, Chikkadapally, Hyderabad - 500 020 to transact the following Business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 1999, the Balance Sheet as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Sri J. Seshagiri Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri V.B.R. Suryam, who retires by rotation and being eligible offers himself for re-appointment.
5. To reappoint Auditors to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. M. ANANDAM & CO., Chartered Accountants, Secunderabad, the present auditors of the Company are eligible for re-appointment and are willing for the same.

By Order of the Board
for **KAKATIYA CEMENT SUGAR &
INDUSTRIES LIMITED**

Place : Hyderabad **(A. SATYANARAYANA)**
Dated : 30.08.1999 *Company Secretary*

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll only instead of himself/ herself. Such proxy need not be a member of the Company.

Proxies, in order to be effective, should be received by the Company at its Registered Office not less than 48 hours before the meeting.

2. The Register of Members and Share Transfer Books will remain closed from 22.09.99 to 30.09.99 (both days inclusive).
3. Members should notify change in their address, if any, specifying full address with pin code to the Company's Registered Office.
4. Payment of Dividend on Shares, if declared at the Meeting will be made within the statutory period to those members whose names would appear on the Company's Register of Members on 30th September, 1999 or to their mandates/ Bankers.
5. As per provisions of Section 205A of the Companies Act, 1956 the Company has already transferred to the General Reserve Account of the Central Government, the amount of all unclaimed dividends declared upto and including the financial year ended 31st March, 1995. Hence, to claim dividend upto the said period, the members are advised to approach the Registrar of Companies, Sultan Bazar, Hyderabad-500 195.
6. For any further information regarding the Accounts, advance intimation in writing may be given and the members should ensure that it reaches the Company at least TEN days before the date of Meeting.
7. (a) The Company's shares are listed with the Hyderabad Stock Exchange Limited (HSE), The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE).
(b) The Annual Listing Fee for the year 1999-2000 has been paid to all the three Stock Exchanges i.e., HSE, BSE and NSE.
8. Members are requested to bring their copies of the Annual Reports to the meeting.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

DIRECTORS' REPORT

To
Members

Your Directors have pleasure in presenting the 20th Annual Report together with the Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 1999 are summarised below:-

| Particulars | 1998-99 | | | 1997-98 | | |
|---|-----------------|----------------|---------|-----------------|----------------|---------|
| | Cement Division | Sugar Division | Total | Cement Division | Sugar Division | Total |
| Income (Sale and other Income) | 4646.74 | 1914.29 | 6561.03 | 5113.74 | 733.74 | 5847.48 |
| Profit before Depreciation Interest & Taxes | 579.26 | 785.56 | 1364.82 | 1095.63 | 197.89 | 1293.52 |
| Depreciation | 230.41 | 178.34 | 408.75 | 236.37 | 152.57 | 388.94 |
| Interest | 203.98 | 471.99 | 675.97 | 153.21 | 264.86 | 418.07 |
| Provision for Taxation | 13.28 | - | 13.28 | - | - | - |
| Profit after Taxation | 131.59 | 135.23 | 266.82 | 706.05 | (219.54) | 486.51 |
| Profit brought forward from Previous year | 825.87 | (219.54) | 606.33 | 2290.83 | - | 2290.83 |
| Prior Period adjustments | (1.09) | - | (1.09) | (1.96) | - | (1.96) |
| APPROPRIATIONS | | | | | | |
| Transfer to General Reserve | 30.00 | - | 30.00 | 63.00 | - | 63.00 |
| Proposed Dividend | 185.00 | - | 185.00 | 185.00 | - | 185.00 |
| Corporate Tax on Dividend | 20.35 | - | 20.35 | 18.50 | - | 18.50 |
| Balance Carried over to Balance Sheet | 721.02 | (84.31) | 636.71 | 825.87 | (219.54) | 606.33 |

DIVIDEND

Your Directors are pleased to recommend for your consideration a Dividend of Rs.2.50 per equity share for the year ended 31.3.1999, absorbing Rs.205.35 Lacs, including tax on dividend payable by the company.

PERFORMANCE OF THE YEAR UNDER REVIEW

CEMENT DIVISION:

During the year under review, the Cement Division has produced 218919 MT of cement

as against 209590 MT of cement for the previous year and could achieve the capacity utilisation of 110.60%. The Profit for the division was Rs.143.78 lacs.

SUGAR DIVISION :

During the year under review, the Sugar Division crushed 2,68,793 MT of sugar cane and for the full season it was 3,25,075 MT as against 88,631 MT for the previous season and achieved 100% capacity utilisation for the first time. The recovery rate was 10.20% compared to 9.7% for the previous season.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

Sales for the year was Rs.1799.41 lacs as against Rs.683.53 lacs for the previous year. The Profit for the division was Rs.135.23 lacs.

CURRENT YEAR OUTLOOK :

CEMENT DIVISION:

In the first four months of the current year i.e. April-July, 1999, the production of cement was 88,538 MT, as against 86,492 MT of the first four months of the previous year. The demand for cement in the first four months has increased by about 22% in the Southern region. Realisation of prices of cement have started improving. Your Directors hope to achieve better performance during the remaining part of the current year, in view of the recovery in cement prices and improved offtake of cement.

The Government of India has increased the capacity and despatch limits for mini cement Companies from 1,98,000 MT (600 TPD) and 2,20,000 MT to 2,97,000 MT (900 TPD) and 3,00,000 MT respectively. In view of the said revision, your Company has plans to increase the installed capacity to the required level; and avail of the prevailing boom in the cement market condition.

SUGAR DIVISION :

As a result of the concerted efforts for development of sugar cane, it is hoped that the division will achieve better capacity utilisation during the current year.

It is hoped that when the proposed levy obligations on the imported sugar also are enforced, after the new Government assumes power at the Centre, prices of domestic sugar will improve. Thus, your Company foresees better prospects for the Sugar Division in the coming months of the financial year.

Y2K COMPLIANCE :

The Company does not foresee any major problem on account of Year 2000 (Y2K) and is confident of making all the systems

Y2K compliant at the earliest, wherever required.

FIXED DEPOSITS:

The aggregate amount of deposits accepted by the Company as on 31.03.1999 stood at Rs.13.86 lakhs. There were no fixed deposits which were matured but not claimed as on that date.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Sri J Seshagiri Rao and Sri V B R Suryam retire by rotation and are eligible for reappointment.

INDUSTRIAL RELATIONS :

The industrial relations continued to be cordial during the year under review. The Board wishes to place on record its appreciation to all employees for their efforts and cooperation to the high level of performance and growth of business during the year.

INSURANCE :

All the properties of the Company including its buildings, Plant and Machinery and Stocks wherever required have been adequately insured.

STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 (FORMING PART OF THE DIRECTORS' REPORT)

As none of the employees has drawn more remuneration than the limits prescribed under the above Rules, no statement is enclosed.

ENVIRONMENTAL PROTECTION:

CEMENT DIVISION:

The Company is the first mini cement plant to install ESP & CT for abatement of pollution in Unit I and Unit II. Pollution



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

control is given top priority in the factory. The Company installed ESP, Dust collectors, Multi Cyclones, water sprayers at all vulnerable places. More and more efforts are being made in afforestation and in developing green belt area in the factory, mines and colony. All the pollution control equipment are working with full efficiency and the performance is monitored with our own equipment both in plant and mines area.

SUGAR DIVISION:

By spending huge amounts the Company has fully automated the Boilers resulting in better and efficient combustion and this helped in preventing unburnt fuel going to the chimney. For removal of ash from the Dust Collectors on continuous basis, dust collectors are provided with Bin at the end of belt conveyor. A blower is provided with a ducting up to Bin connecting the outlets of two dust collectors of the systems.

Effluent Treatment Plant:- Action is already initiated for upgradation of ETP and the works are expected to be completed before November, 1999, besides recycling of cooling water and lifting out hot water into safe place.

Planting of saplings and seedlings in and around the Factory and Colony is being continued to develop greenery to protect environment.

AUDITORS :

M/S. M.ANANDAM & CO., Chartered Accountants, Secunderabad, the Auditors of the Company retire at the conclusion of this Annual General Meeting and they are eligible for re-appointment.

COST AUDIT

The Central Government had ordered audit of cost accounts relating to manufacture of cement. For the year ended 31st March 1999, with the approval of Central Government, M/s.Narasimha Murthy & Co., Cost Accountants, Hyderabad have been appointed to conduct the Cost Audit.

ACKNOWLEDGEMENTS :

Your Directors wish to express their thanks for the assistance received from IDBI, ICICI, IFCI and APIDC from time to time.

Your Directors also thank the State Bank of India, Industrial Finance Branch, Somajiguda, Hyderabad and Indian Bank, Himayatnagar Branch, Hyderabad for extending the support towards working capital to meet the requirements of its operations.

Your Directors appreciate the support and the cooperation received from the State Government and the Central Government for the Company's growth and development.

Your Directors would like to convey the deep appreciation to all the employees and workers of the Company for their sustained effort and wholehearted co-operation throughout the year.

Your Directors thank the Distributors, Dealers and Suppliers for their continuous support and active involvement.

Finally your Directors record their deep sense of gratitude to all the Shareholders for the abundant confidence reposed in the Board of Directors.

for and on behalf of the Board

Hyderabad

Date: 30.08.99

P. VENKATESWARLU

Chairman & Managing Director



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- a) Energy Conservation Measures adopted:
 1. Optimum utilisation of equipment.
 2. Replacing the motors where the motors are underloaded.
 3. Upgradation of PLC at a cost of Rs. 15.00 lakhs was commissioned and this helps optimum utilisation of energy.
 4. Optimum utilisation of captive power generation sets, thus reducing fuel consumption.
 5. Balancing of machinery is being carried by engaging qualified personnel on annual contract basis to reduce power consumption.
- b) Additional Investments and Proposal for Reduction of Consumption of Energy :
 1. AC variable speed drivers are being procured as a part of energy conservation.
 2. Proposals are approved for converting Analog based coal weigh feeder to Micro Processor based system at a cost of Rs.4.50 lakhs. This will help in saving in coal and increasing efficiency.
 3. For reducing cost of fuel, the power generation sets are being converted from HSD oil based to Furnace oil based at a cost of Rs.300 lakhs.
 4. The contracted maximum Demand of APSEB supply of 4980 KVA is reduced to 3480 KVA with effect from April, 1999 saving annually Rs.50.00 lakhs on Power.
- c) Impact of the above measures : The benefit and significance of the measures is evident from lower consumption of energy.
- d) Total Energy Consumption and Energy Consumption per unit of production : FORM "A" Enclosed

B) TECHNOLOGY ABSORPTION

- a) Efforts made in Technology Absorption : FORM "B" Enclosed

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities relating to exports, initiatives taken to increase exports, development of new export market for product & services and export plans : Exports are not contemplated at present.
- b) Total foreign exchange used and earned : NIL

FORM-A

Form for disclosure of particulars with respect to Conservation of Energy

| | Standards (If any) | CURRENT YEAR | | PREVIOUS YEAR | |
|--|-----------------------|--------------------|------------------|---------------|-----------|
| | | CEMENT | SUGAR | CEMENT | SUGAR |
| A. POWER & FUEL CONSUMPTION | | | | | |
| 1. ELECTRICITY | | | | | |
| a) Purchased (KWH) | - | 1,36,28,565 | 6,93,480 | 1,54,00,492 | 5,98,939 |
| Total Amount (Rs.) | - | 5,25,06,495 | 27,83,562 | 5,82,24,754 | 24,57,900 |
| Rate per Unit (Rs.) | - | 3.85 | 4.01 | 3.78 | 4.10 |
| b) Own Generation | | | | | |
| 1. Through Diesel Generators (Units) | - | 1,24,54,492 | 1,62,700 | 1,28,09,748 | 79,560 |
| Units per Ltr of Diesel Oil | - | 3.64 | 3.375 | 3.60 | 2.50 |
| Cost per Unit (Rs.) | - | 3.04 | 2.86 | 2.64 | 2.96 |
| 2. Through Steam Turbine | | | | | |
| Units | - | - | 51,42,775 | - | 23,62,030 |
| Cost per Unit (Rs.) | - | - | 0.55 | - | 2.16 |
| 2. FUEL | | | | | |
| a) COAL | | | | | |
| Quantity (MT) | - | 47,510 | - | 52,983 | - |
| Total Cost (Rs.) | - | 6,74,76,277 | - | 6,86,25,248 | - |
| Average Rate (Rs.) | - | 1420.25 | - | 1295.24 | - |



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

| | Standards (If any) | CURRENT YEAR CEMENT | SUGAR | PREVIOUS YEAR CEMENT | SUGAR |
|--|-----------------------|------------------------|--------|-------------------------|-------|
| b) DIESEL OIL | | | | | |
| Quantity (Ltrs) | - | 56,950 | - | 86,884 | - |
| Total Cost (Rs.) | - | 5,28,865 | - | 8,05,070 | - |
| Average Rate (Rs.) | - | 9.30 | - | 9.26 | - |
| B. CONSUMPTION PER UNIT OF PRODUCTION | | | | | |
| Electricity (KWH) | | | | | |
| Cement (MT) | - | 114.435 | - | 116.194 | - |
| Sugar (Kg) | - | - | 0.2189 | - | 0.353 |
| Coal (MT) (per tonne of clinker) | - | 0.212 | - | 0.224 | - |

FORM - B

Form for disclosure of particulars with respect to Absorption, Research & Development (R & D)

- Specific areas in which R & D carried out by the Company.
- Benefits derived as a result of the above R & D
- Future plan of action
- Expenditure on R & D
 - Capital
 - Recurring
 - Total
 - Total R & D expenditure as a percentage of total turnover

There is no separate Research and Development Wing as the scale of Company's operations are relatively small. However, the company has a fairly good laboratory with adequate testing facility to ensure quality of various inputs and also finished products. Besides the company continuously endeavours to improve production process and product quality and encourages the technicians and workers to innovate in their day to day work.

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- Efforts, in brief, made towards technology absorption, adaptation and innovation:
Technology and production process for cement and sugar are well established and the Company has been using the same for several years. The Company continuously endeavours to keep itself informed of the developments in the industry.
- Benefits derived as a result of the efforts e.g., product improvement, cost reduction, product development, import substitution etc.,
The benefits can be assessed in the satisfactory results produced by ESP & CT in the Cement Division and improved performance in the Sugar Division.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:-
 - Technology imported
 - Year of Import
 - Has technology been fully absorbed ?
 - If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action

NOT APPLICABLE

For and behalf of the Board

Place : HYDERABAD
Date : 30.08.99

P. VENKATESWARLU
Chairman & Managing Director